



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LIVINGSTON COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES
SHERIFF'S SETTLEMENT - 1999 UNMINED FLUORSPAR TAXES
AND
SHERIFF'S SETTLEMENT - 1999 UNMINED LIMESTONE TAXES**

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LIVINGSTON COUNTY SHERIFF'S SETTLEMENT - 1999 TAXES SHERIFF'S SETTLEMENT - 1999 UNMINED FLUORSPAR TAXES AND SHERIFF'S SETTLEMENT - UNMINED LIMESTONE TAXES

June 15, 2000

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 1999 Taxes, 1999 Unmined Fluorspar Taxes, and 1999 Unmined Limestone Taxes for the Livingston County Sheriff as of June 15, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The Sheriff collected net taxes of \$2,531,175 for the districts for 1999 taxes. The Sheriff distributed taxes of \$2,430,544 to the districts for 1999 Taxes. Refunds of \$147 are due to the Sheriff from the taxing districts.

Any Debt Obligations:

None.

Comment and Recommendation:

- The Sheriff's Office Lacks Adequate Segregation Duties.

Changes in Administration:

None.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Joe Ward, Livingston County Judge/Executive
Honorable Tommy Williams, Livingston County Sheriff
Members of the Livingston County Fiscal Court

Independent Auditor's Report

We have audited the Livingston County Sheriff's Settlement - 1999 Taxes as of June 15, 2000, Sheriff's Settlement - 1999 Unmined Fluorspar Taxes as of June 15, 2000, and Sheriff's Settlement - 1999 Unmined Limestone Taxes as of June 15, 2000. These tax settlements are the responsibility of the Livingston County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Livingston County Sheriff's taxes charged, credited, and paid as of June 15, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Joe Ward, Livingston County Judge/Executive
Honorable Tommy Williams, Livingston County Sheriff
Members of the Livingston County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following area of internal control.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 18, 2001

LIVINGSTON COUNTY
TOMMY WILLIAMS, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

June 15, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 293,696	\$ 343,703	\$ 925,514	\$ 365,269
Tangible Personal Property	56,593	47,592	107,646	135,479
Intangible Personal Property				36,808
Fire Protection	1,906			
Franchise Corporation	83,938	44,366	167,878	
Additional Billings	203	219	643	254
Increased Through Erroneous Assessments	43	30	135	53
Penalties	3,534	4,125	10,885	4,452
Adjusted to Sheriff's Receipt	<u>7</u>	<u>19</u>	<u>18</u>	<u>4</u>
Gross Chargeable to Sheriff	<u>\$ 439,920</u>	<u>\$ 440,054</u>	<u>\$ 1,212,719</u>	<u>\$ 542,319</u>
<u>Credits</u>				
Discounts	\$ 5,405	\$ 5,803	\$ 15,358	\$ 8,381
Exonerations	3,992	4,502	12,568	4,960
Delinquents:				
Real Estate	6,090	7,038	19,149	7,558
Tangible Personal Property	26	24	51	50
Uncollected Franchise	<u>852</u>	<u>375</u>	<u>1,655</u>	
Total Credits	<u>\$ 16,365</u>	<u>\$ 17,742</u>	<u>\$ 48,781</u>	<u>\$ 20,949</u>
Net Tax Yield	\$ 423,555	\$ 422,312	\$ 1,163,938	\$ 521,370
Less: Commissions *	<u>18,289</u>	<u>11,640</u>	<u>46,558</u>	<u>22,446</u>
Net Taxes Due	\$ 405,266	\$ 410,672	\$ 1,117,380	\$ 498,924
Taxes Paid	\$ 405,026	\$ 410,380	\$ 1,116,570	\$ 498,568
Credit For Commissions Per KRS 134.290				
Refunds (Current and Prior Year)	<u>274</u>	<u>325</u>	<u>890</u>	<u>356</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (34)</u>	<u>\$ (33)</u>	<u>\$ (80)</u>	<u>\$ 0</u>

* and ** See Page 4

LIVINGSTON COUNTY
 TOMMY WILLIAMS, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 June 15, 2000
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,163,131
4% on	\$	1,163,938
1% on	\$	194,106

** Special Taxing Districts:

Health District	\$	(2)
Grand Lakes Fire District		(17)
Burna Fire District		<u>(14)</u>
Due Districts or (Refunds Due Sheriff)	\$	<u><u>(33)</u></u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
TOMMY WILLIAMS, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED FLUORSPAR TAXES

June 15, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Fluorspar	\$ 676	\$ 409	\$ 2,132	\$ 841
Penalties	1	1	2	1
Gross Chargeable to Sheriff	\$ 677	\$ 410	\$ 2,134	\$ 842
<u>Credits</u>				
Discounts	\$ 8	\$ 5	\$ 24	\$ 9
Delinquents	112	68	354	140
Total Credits	\$ 120	\$ 73	\$ 378	\$ 149
Net Tax Yield	\$ 557	\$ 337	\$ 1,756	\$ 693
Less: Commissions *	24	14	70	30
Net Taxes Due	\$ 533	\$ 323	\$ 1,686	\$ 663
Taxes Paid	533	322	1,686	663
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	\$ 0	\$ 1	\$ 0	\$ 0

* Commissions:

4.25% on	\$	1,587
4% on	\$	1,756

** Special Taxing Districts:

Extension District	\$	1
Due Districts or (Refund Due Sheriff)	\$	1

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
TOMMY WILLIAMS, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED LIMESTONE TAXES

June 15, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Limestone	\$ 1,591	\$ 963	\$ 5,015	\$ 1,979
<u>Credits</u>				
Discounts	\$ 32	\$ 19	\$ 100	\$ 40
Total Credits	\$ 32	\$ 19	\$ 100	\$ 40
Net Tax Yield	\$ 1,559	\$ 944	\$ 4,915	\$ 1,939
Less: Commissions *	66	40	197	82
Net Taxes Due	\$ 1,493	\$ 904	\$ 4,718	\$ 1,857
Taxes Paid	1,493	904	4,718	1,857
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0

* Commissions:

4.25% on	\$	4,442
4% on	\$	4,915

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

June 15, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of June 15, 2000, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

LIVINGSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 15, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 1999 through April 28, 2000.

1999 Unmined Fluorspar Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 27, 2000 through May 29, 2000.

1999 Unmined Limestone Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 24, 2000 through May 29, 2000.

Note 4. Interest Income

The Livingston County Sheriff earned \$3,586 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

LIVINGSTON COUNTY
TOMMY WILLIAMS, SHERIFF
COMMENT AND RECOMMENDATION

June 15, 2000

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL – REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has no options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties.

Sheriff's response: None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Tommy Williams, Livingston County Sheriff
Members of the Livingston County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Livingston County Sheriff's Settlement - 1999 Taxes as of June 15, 2000, Sheriff's Settlement - 1999 Unmined Fluorspar Taxes as of June 15, 2000, and Sheriff's Settlement - 1999 Unmined Limestone Taxes as of June 15, 2000, and have issued our report thereon dated June 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Livingston County Sheriff's Settlement - 1999 Taxes as of June 15, 2000, Sheriff's Settlement - 1999 Unmined Fluorspar Taxes as of June 15, 2000, and Sheriff's Settlement-1999 Unmined Limestone Taxes as of June 15, 2000 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Livingston County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

- The Sheriff's Office Lacks Adequate Segregation of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 18, 2001

